

SPRINGERVILLE TOWN COUNCIL  
Budget Workshop Minutes  
June 29 2005

Present: Mayor Kay Dyson, Mary Nedrow, Mark Baca, Scott Cray and Pete Hunt

Staff: Scott Garms Town Manager, Val Cordova Town Clerk, Steve West, Larisa Bogardus, Thomas Malone, James Hamblin, Sharon Pinckard, Max Sadler.

Public: Marnie Uhl Chamber Director, Rachel Kuenstler, David and Amy Pulsifer.

1. Mayor Dyson called the meeting to order at 6:03pm
2. FY 2005/2006 Budget: Discussion and presentation regarding the proposed FY05/06 budget.

Mayor Dyson invited Mr. Garms to give a short summary before beginning a review of a budget summary as presented by Councilman Cray.

Mr. Garms explained that the first account on the budget summary is the general fund revenue which has a \$228,000 surplus. The changes that occurred are from having a more accurate refection of year with payroll and accounts payable at the end of this month. The surplus is in the revenue over expenses presented by staff in their budgets.

The next is the grant revenue expenses. This is just shy of \$38,000 deficit which represents a match toward \$1.2 million worth of various grants.

Hurf shows a deficit of \$47,000, which is the town's match towards grants, particularly the Maricopa project. You will see that there is Hurf revenues of \$912,000 that includes the amount of money from Nacog for the Maricopa project. The town has a ten percent match toward this.

There were some adjustments to the water and sewer funds. The water fund revenues were just shy of A\$40,000 in the black and the sewer fund was in the deficit \$110,000. We have a bottom line total surplus of \$24,000 that is a balanced budget. The engineering is currently being done in the 04/05 budget, which is why the Hurf money has changed so much.

James was then invited to review the items that were changed or updated over the past week.

Mr. Hamblin explained that one of the biggest items changed is the final payroll of the year was posted. Other expenses were looked at line item by line item. Everything was posted in accounts payable except for seventeen thousand dollars. There is still a factor out there to cover these additional expenses.

Another change is the general insurance. More of the general insurance has been allocated to the Hurf fund and was balanced throughout the rest of the funds and increased it in the water fund revenue. Overall it went down to forty-four from forty nine but decreased it in the sewer fund, which made the sewer fund decrease.

The majority of our work next year is roads, which includes the grant. This is one of the largest departments.

Another big change overall is Casa Malpais. Mr. Garms explained that there is a big discrepancy in salary and wages. He was not overly concerned because the bottom line of the budget always stayed the same.

Mr. Hamblin explained that the original budget was at sixty thousand dollars and reviewed this budget with Marnie. Originally there were 57,280 hours of guide hours that did not make sense. They figured out the amount of actual time spent and readjusted actual labor to get to 36,817 and found there was a problem. He ran a beginning of the year adjusting journal entry conversion from cash to accrual basis and the audit and found where the payroll adjusting entry hit this account rather than hitting the accrued payroll.

He explained that in September of last year when he was making these changes he keyed the payroll accrual for last June into the wrong account. The mistake was made during the adjusting period and not the working period, but has now been corrected.

Mr. Garms noted that we went from a cash basis to an accrual basis, which was inappropriate for government. This was one of the big changes we made this year to comply with the audit and G.A.S.B.

Mr. Hamblin noted that tonight's estimated current expenses are more accurate. He also explained that liability insurance is allocated between all the departments. He said that there were minor changes throughout all the departments based on expenditure data.

Mayor Dyson stated that she would like to review all of the changes that were made since the last budget workshop.

There were not changes to the public works department.

Debt service – no changes.

Town hall renovation – not changes.

Hurf revenue – \$420,000 added in due to Maricopa project for FY-2006.

Expense side of Hurf this was also added in due to that project.

General insurance – increased due to time spent on road projects.

Senior Center revenue – no change in revenue.

Community Services – no changes.

Water fund revenue – no change.

Water fund expense – changed due to general insurance.

Sewer fund revenue – no change.

Sewer fund expense – changed to due to general insurance.

Fire fighters fund – no change.

Capital equipment – A change in the finance department for a cemetery module for Caselle, added an additional license for auto cad at a cost of \$4,198 in the building department, and an additional \$20,000 for additional GIS modules.

Mayor Dyson suggested that the council start at the beginning to discuss the following.

Cost of Living – Market adjustment.

Potential 2% merit.

Chamber and Apache County Economic Development.

1/2 time person for the police department.

Travel budgets.

Councilman Cray presented a budget that he would like to see.

- A). Limit the COLA'S and the merit for employees to 2% across the board for all employees with no merit this year only for a savings of \$19,860.00
- B) The Mayor and Council donating their salaries as they are limiting the employees for a savings of \$18,940.00
- C) Recommending combining both Casa and the Chamber of Commerce. There would be a considerable savings. He explained that we could give them a full time person with benefits and an additional \$16,809 and keep the proceeds associated for a savings of \$33,000. He acknowledged that the chamber would have to make that decision.
- D) Combing the police department and magistrate. Giving the police department a full time person and not cut \$5,000 from the prior budget in general supplies would give a savings of \$58,000 savings.
- E) Shore up the Hospitality 1% tax loop hole. He advised everyone to mark this item out as it is dictated by the state.
- F) Direct staff to find a way to reduce loses in sewer fund but is not advocating an increase in rates, asking for a way to make it more cost effective. He noted that our long term bonds will be paid off in

three years and should be close to breaking even but reiterated that we need to shore up the loss we are taking today.

- G) Mayor and Council budget. He said he struggled with the size of their budget due to contractual services. He felt that this looked awkward. In discussing this with James, it could be broken out into another line item. He noted that there would not be a money savings on this.
- H) He explained that it was eleven years before water rates were raised and recommended creating a policy that ties water rates to an annual increase that goes into effective automatically that are tied to T-bills or the prime rates or some other index to keep up with inflation for both sewer and water. He would also like to give the finance director the freedom to shift dollars for expenses between those two accounts based on major projects.

He stated that the most profound policy statement that a town council can make is a budget but spend the least amount of time on under the greatest amount of pressure to get it done in the least amount of time. He asked that the council review his proposed changes to the budget.

The council then reviewed all of the suggested changes.

- A) The market increase and merit. Mayor Dyson explained that the market increase will barely keep employees at the same take home pay they are currently getting due to the increase in the state retirement and advocated for a 2.5% market adjustment.

After some discussion, the council decided to come back to this item.

- B) Mayor and Council donate their salaries for the fiscal year. Mayor Dyson explained that this is individual discretion. If an individual council person would like to donate their salary back to the town, they need to sign a form. If they do not they will automatically be paid. This is an item they do not need to disclose at this time. This is between individuals and the town manager.

- C) Combining the Chamber and Casa. Mayor Dyson explained that the chamber is not a department of the town. Their mission is to serve the business community. The Casa is a town department that would lose jobs and service here. There are seven part time people that work for six dollars an hour, seven days a way.

The council suggested doing an evaluation that is more specific as to how that major expenditure has been spent and look at ways to save money and still have an effective tool for tourism

Mr. Garms reminded the council that they had voted to support the National Heritage Area with the Center for Desert Archaeology working on this two year process and Casa is a significant part of this. . Consensus of the council is to look into making Casa more cost effective in the future.

Mayor Dyson suggested that the chamber is doing is good job with the \$35,000 they are now getting and suggested not increasing the chamber which would be a significant savings. After discussion they were all asked how much they would like to see for the chamber. They were in agreement that they would give the chamber \$38,500 that would include three thousand dollars for a copier.

Mayor Dyson asked the Council members if they are agreeable to \$5,000 for EDAC. They agreed.

- D) Combining the Police and Magistrate into one department. Mr. Garms explained that he had checked all of the neighboring cities and towns and throughout Arizona and the most prevalent thing to do is contract with the Justice of the Peace for services. He explained that those that have their own magistrate are now going back to contracting. They pay their magistrate anywhere from \$14,000 to \$45,000. He explained that the reasons are numerous and cost prohibitive. Councilman Cray stated he was prepared to pull this item.

- E) This item was scratched.

- F) Direct staff to find ways to reduce losses in the Sewer Enterprise fund.

Mr. Garms explained that he and James have discussed developing a plan over the next year to try to erase this deficit over time. They will not be able to erase this overnight without doubling everyone's sewer rates over night or putting in more infrastructure and gaining more customers, which is a doable thing. The bonds will be paid in a few years that will eliminate just about all of that but they need to factor in the maintenance costs with the increase as our infrastructure ages. They are currently working on a Wifa grant for engineering to decide what to replace on the sewer equipment. There are a couple more grants that they plan on seeking once they get the engineering on energy savings from the Governor's office. They are working with water and wastewater management to find ways to more efficiently use water and wastewater.

Mr. Garms explained that the town currently does not have an ordinance in place to enforce hooking up to city sewer if there is sewer available when a house sells.

Mayor Dyson stated that the goal is to have water and wastewater pay for itself. She asked if staff could come up with a list of all the different ways, include writing grants, ordinances, raising fees and any other options between now and October.

- G) Move Contracted Service out of the Mayor Council budget and into Administration. Mayor Dyson explained that contracted services in the council budget is a perception and would like to move the chamber and EDAC into a separate line item.

Consensus of the council was to make these separate line items for contracted service.

- H) Implement an annual inflation factor tied to an index.  
Councilman Cray explained that he would like to tie annual raises to water and sewer increases. He stated he would like to direct staff to look for verbiage to have in place to keep up with inflation.

Larisa Bogardus explained that it is not unusual to create tiers whereby rates can be increased yearly from three to five years.

Councilman Cray reiterated that in talking to James, it was important to give him the flexibility to shift the deficits or profits from one fund to the other.

Mayor Dyson stated that she had concerns regarding the travel budget in finance and asked James where he would be traveling.

James explained that he would be attending FAA and G.A.S.B conferences as well as sending Kim to classes too. He noted that no one will be attending Caselle training because the costs are prohibitive.

Fire Chief Max Sadler was asked the same question of his travel budget. He explained that he has fire fighters that have to attend several classes mandated by the state and costs have gone up.

Chief West was to explain why there was a need for a half time position. Some of the reasons given were the cost of \$1.50 per page for transcribing, the county attorney's request that interviews be recorded and transcribed and department reports that need to be transcribed.

There was a consensus among the council for the half time position.

Mr. Garms explained that the bottom line of the budget is a forty thousand dollar surplus to the good. Everything requested to include what the council changed is in the budget right now including the merit raises to include worst case scenario with everyone getting a four percent increase in merit. If they go to a cost of living system as most governments do, the merit has to be a true merit and based on true performance, not just automatically given. But, based on that worst case scenario, the budget was built on four percent merit we still have a forty thousand dollar surplus which can go toward other things.

Some of the department heads present stated that not all of their employees received a four percent raise this past year. Several received only two percent and some don't get anything.

The consensus was to give the 2.5% across the board beginning on July 1<sup>st</sup> and a merit from zero to 2.0% at the discretion of the department head.

The last item for discussion was the Christmas party. The consensus of the council was to budget \$4,000 for bonuses with everyone receiving the same amount with no distinction between department heads and staff and have a pot luck luncheon.

Mr. Garms advised the council that the rental of the board room for council meeting was in the budget and on the agenda for action on Wednesday night.

Kay Dyson/Mark Back motion to adjourn the workshop at 8:20pm.

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Kay Dyson, Mayor

ATTEST:

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Valentina Cordova, Town Clerk

I hereby certify that the foregoing is a true and correct copy of the minutes of the Springerville Town Council in a budget work shop on Wednesday, June 29, 2005. I further certify that the meeting was duly called and a quorum was present.

Dated this 5<sup>th</sup> day of July 2005

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Valentina Cordova, Town Clerk